



STATE OF ARKANSAS
**Department of Finance
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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for February (FY 2013)**

DATE: March 4, 2013

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$3,156.6 million, \$166.1 million or 5.6 percent above year ago levels. Net available revenue is above forecast by \$99.2 million or 3.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,820.8 million, representing an increase of \$138.5 million or 3.8 percent above last year. Gross general revenues are above forecast by \$51.6 million or 1.4 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,870.6 million, \$122.9 million or 7.0 percent above FY 2012 collections and \$70.2 million or 3.9 percent above forecast. Collections growth for individual withholding is up 4.6 percent over year ago levels.

Year-to-date individual income tax refunds total \$210.8 million, down \$29.2 million or -12.2 percent compared to last year and \$40.2 million or -16.0 percent below forecast. Amounts below forecast contribute to net available funds.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,412.0 million, an increase of \$11.5 million or 0.8% from FY 2012 and \$11.2 million or -0.8 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$227.0 million, a decrease of \$7.1 million or -3.0 percent from year-to-date FY 2012. Corporate income tax is below forecast by \$4.3 million or -1.9 percent.

Year-to-date corporate income tax refunds total \$43.8 million, a decrease of \$5.8 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$210.1 million, \$20.0 million or 10.5 percent above last year and \$15.7 million or 8.1 percent above forecast.

Results were mainly driven by the relative lack of refunds from Individual Income tax returns received rather than normal gains or losses in collections. Calendar year-to-date returns were still down significantly compared to year ago patterns after IRS-related delays at the start of the tax filing season in January. Total refunds were below year ago levels by 3.0 percent in February and 12.2 percent year to date. Rebound in returns and refunds is evident but not back to year ago levels or forecast as of February results. Additional shift in refund payout is expected in March and April as a result of the IRS filing delay and initial rate of tax filings in Arkansas returns.

Sales and Use tax collections were higher compared to last year by 5.2 percent and exceeded the forecast by 0.9 percent. The gain in February offsets a decline in January, with the two-month average amounting to 2.0 percent year-over-year growth.

Corporate Income tax collections exceeded the forecast in February with a large gain in year-over-year terms, but in a seasonally low month for such collections. Monthly collections in corporate income are a volatile component of general revenue.

February Gross General Revenues: February collections total \$411.3 million, an increase of \$17.7 million or 4.5 percent above last year and \$2.1 million or 0.5 percent above forecast.

February Individual Income Tax collections total \$198.3 million. Collections increased by \$4.5 million, or 2.3 percent compared to last year. With respect to the forecast, collections were \$1.6 million or -0.8 percent below forecast. Individual withholding rose 4.8 percent compared to last year, similar to the 4.6 percent gain year-to-date.

February Individual Income Tax Refunds total \$148.7 million, \$4.5 million or -3.0 percent below last year and \$11.6 million or -7.2 percent below forecast. Amounts below forecast for refunds contribute to gains in net available funds. Delays in accepting returns for processing at the federal level accounted for much of the departure from forecast and year ago levels in January, but results in February indicate further catch-up can be expected in March and April.

February Sales and Use Tax Collections: February collections total \$174.6 million, an increase of \$8.6 million or 5.2 percent from last year. Collections were above monthly forecast levels by \$1.6 million or 0.9 percent.

February Corporate Income Tax collections total \$7.7 million, an increase of \$3.7 million, and \$2.2 million or 39.9 percent above forecast. February is a low collection month for Corporate Income tax.

February Corporate Income Tax Refunds total \$3.2 million. This amount is \$0.9 million or 39.0 percent above year ago levels. Refunds were above forecast by 10.4 percent.

February Tobacco Tax collections, a small component of general revenue in annual terms, total \$18.7 million. Collections increased by \$0.5 million or 2.7 percent above year earlier levels and were below forecast by \$0.7 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$30.6 million, a decrease of \$1.4 million or -4.3 percent from last year.

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In February 2013, \$36.0 million was collected and deposited to the fund. After deductions, the net amount is \$34.9 million. The monthly collection is equivalent to a 5.0 percent increase from prior year collections.

YEAR TO DATE REPORT, FEBRUARY 2013
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH FEBRUARY 2013
8 Months YTD
Forecast Date: 11/15/2012

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2012	FORECAST FY 2013	INCREASE AMOUNT	PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	INCREASE AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,747.6	1,800.4	52.8	3.0	1,747.6	1,870.6	122.9	7.0	103.9
CORPORATE INCOME	234.1	231.3	-2.8	-1.2	234.1	227.0	-7.1	-3.0	98.1
SALES AND USE	1,400.5	1,423.2	22.7	1.6	1,400.5	1,412.0	11.5	0.8	99.2
ALCOHOLIC BEVERAGE	32.0	32.8	0.8	2.6	32.0	32.7	0.8	2.4	99.8
TOBACCO	159.1	155.3	-3.8	-2.4	159.1	150.5	-8.6	-5.4	96.9
INSURANCE	44.1	43.9	-0.2	-0.4	44.1	43.2	-0.9	-1.9	98.5
RACING	2.2	2.0	-0.2	-10.3	2.2	1.9	-0.3	-14.0	95.9
GAMES OF SKILL	16.2	20.0	3.8	23.8	16.2	21.8	5.7	35.1	109.1
MISCELLANEOUS ¹	46.6	60.3	13.7	29.5	46.6	61.0	14.5	31.1	101.2
TOTAL GROSS	3,682.3	3,769.2	86.9	2.4	3,682.3	3,820.8	138.5	3.8	101.4
LESS: SCSF/COF ²	121.5	124.4	2.9	2.4	121.5	126.1	4.6	3.8	101.4
IND INCOME TAX REFUNDS	240.1	251.0	10.9	4.6	240.1	210.8	-29.2	-12.2	84.0
CORP INCOME TAX REFUNDS	49.6	47.0	-2.6	-5.2	49.6	43.8	-5.8	-11.7	93.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	11.0	13.4	2.4	22.2	11.0	7.2	-3.8	-34.2	53.8
WATER/SEWER BONDS	10.1	10.0	-0.1	-1.0	10.1	10.0	-0.1	-1.0	100.0
COLLEGE SAVINGS BONDS	2.1	5.4	3.3	159.8	2.1	5.5	3.4	162.2	100.9
CITY/CO. TOURIST	4.0	2.1	-1.9	-46.9	4.0	2.1	-1.8	-46.7	100.3
SCHOOL DESEGREGATION	50.2	50.2	0.0	0.0	50.2	50.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	186.7	191.4	4.7	2.5	186.7	191.6	4.9	2.6	100.1
EDUCATIONAL ADEQUACY	16.5	16.9	0.4	2.4	16.5	16.9	0.4	2.6	100.2
ELDERLY TRANSPORTATION	0.2	0.0	-0.2	-100.0	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	2,990.5	3,057.4	66.9	2.2	2,990.5	3,156.6	166.1	5.6	103.2

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 51.6 MILLION OR 1.4% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 43.4 MILLION OR 14.6% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 99.2 MILLION OR 3.2% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 12</u> 32.0	<u>YTD FY 13</u> 30.6	<u>% CHANGE</u> -4.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 12</u> 281.8	<u>YTD FY 13</u> 284.6	<u>% CHANGE</u> 1.0

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

FEBRUARY GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

February 28, 2013
Days Remaining: 0
Forecast date: 11/15/2012

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				<u>ACTUAL AS % OF FORECAST</u>
	ACTUAL FY 2012	FORECAST FY 2013	CHANGE AMOUNT	PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	193.8	199.9	6.1	3.2	193.8	198.3	4.5	2.3	99.2
CORPORATE INCOME	4.0	5.5	1.5	36.2	4.0	7.7	3.7	90.6	139.9
SALES AND USE	166.0	173.0	7.0	4.2	166.0	174.6	8.6	5.2	100.9
ALCOHOLIC BEVERAGE	3.5	3.6	0.1	4.1	3.5	3.6	0.1	3.7	99.6
TOBACCO	18.2	19.4	1.2	6.9	18.2	18.7	0.5	2.7	96.1
INSURANCE	0.4	0.5	0.1	16.7	0.4	0.4	0.0	2.7	88.0
RACING	0.4	0.4	0.0	7.8	0.4	0.3	0.0	-9.6	83.9
GAMES OF SKILL	2.3	2.3	0.0	1.0	2.3	2.7	0.4	19.4	118.2
MISCELLANEOUS ¹	5.2	4.6	-0.6	-11.3	5.2	5.0	-0.2	-3.9	108.4
TOTAL GROSS	393.6	409.2	15.6	4.0	393.6	411.3	17.7	4.5	100.5
LESS: (SCSF/COF) ²	13.0	13.5	0.5	3.9	13.0	13.6	0.6	4.5	100.5
IND INC TAX REFUNDS	153.2	160.3	7.1	4.6	153.2	148.7	-4.5	-3.0	92.8
CORP INC TAX REFUNDS	2.3	2.9	0.6	25.9	2.3	3.2	0.9	39.0	110.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	2.5	2.5	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	8.4	8.4	0.0	0.0	8.4	8.4	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	23.3	23.9	0.6	2.4	23.3	24.0	0.6	2.6	100.2
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	1.8	2.1	2.1	0.1	2.6	100.8
ELDERLY TRANSPORTATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET AVAILABLE	190.1	194.4	4.3	2.3	190.1	210.1	20.0	10.5	108.1

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS \$ 2.1 MILLION OR 0.5% ABOVE FORECAST.
FEBRUARY NET AVAILABLE \$ 15.7 MILLION OR 8.1% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb 12</u> 33.3	<u>Feb 13</u> 34.9	<u>% CH</u> 5.0
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- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.